

European Law

A new authority's first steps

by Eric Gastinel



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It has been possible, since 1 April 1996, by completing a single form or process, to obtain the protection of a trade mark throughout the fifteen countries of the European Union. The Community Trade Mark (CTM) is a booming and flourishing new system. By 15 February 1998, more than 70,000 trade mark applications had been received by the Alicante Office, exceeding even the most optimistic expectations.

The CTM is an EC product governed mainly by two regulations:

- Council Regulation 40/94 on the Community Trade Mark (CTMR; OJ 1994 L11/1); and
- Commission Regulation 2868/95 implementing Council Regulation 40/94 on the Community Trade Mark (IR; OJ 1995 L303/1).

The CTM registration process is completed by the different divisions of the Office of Harmonisation for the Internal Market (OHIM) and is wholly under the control of a supervisory authority, the Board of Appeal, which is also based at the OHIM's premises in Alicante, Spain.

According to CTMR, art. 130(1) the Boards of Appeals are:

'responsible for deciding on appeals from decisions of the examiners, Opposition Divisions, Administration of Trade Marks and Legal Division and Cancellation Divisions.'

Article 131(2), CTMR adds that:

'the members of the Boards of Appeal shall

be independent. In their decisions they shall not be bound by any instructions.'

This paper does not aim to describe how this supervisory board functions but simply to review briefly the scope and content of the first decisions rendered by the Boards of Appeal by end April 1998.

In addition to their primary objectives, supervisory boards often have a very significant impact which is not expressly provided for in their basic texts: such authorities usually set the standard and dynamic of the instruments they control, just as a mentor might do. Does the same hold for the Boards of Appeal? Are they merely conservative controllers, or innovative supervisors willing to ensure that the CTM is a modern legal instrument?

The answer is both. The conservative approach seems to be supported by the fact that formalism in the registration process is essential to the CTM system. Notwithstanding this strict and classical approach of the law, the Boards of Appeal seem willing to demonstrate that, as stated by law, they are an authority intellectually independent from the OHIM. In fact, the Boards of Appeal do not appear to be a passive controller of the legality of the CTM system, but have instead indicated their aim to be a proactive partner of the companies which register trade marks and thus to contribute, as fully as possible, to the success of this new European legal instrument.

REQUIREMENTS STRICTLY CONSTRUED

The first cases submitted to the Boards of Appeal allowed them to reaffirm that the granting of a CTM was subject to a minimum of formalities, in particular, with respect to payment of administrative fees (s. 1(1)) and to the representation of the sign which an applicant wishes to protect (s. 1(2)). By insisting on the need to respect these formalities, one can conclude that the Boards of Appeal value the CTMs and their applicants highly. The CTM provides a Europe-wide legal monopoly for a potentially indefinite

period of time and such a right cannot be granted lightly. The credibility of the system and the protection of third parties' rights depend on it.

Fee must be paid in time

In the very first case submitted to the Boards of Appeal, an issue arose as to the consequences resulting both from the failure to file an appeal and from the non-payment of the appeal fee within the two-month time period specified in CTMR, art. 59.

The facts of this case are simple: the OHIM denied a person the right to be listed as an authorised representative to the OHIM and notified this refusal to the representative by fax. This notification was dated 25 October 1996 and the representative filed an appeal by fax on 27 December 1996, (i.e. two months and one day after the date on which the refusal had itself been sent) whereby it requested the OHIM to draw the appeal fee directly from their account.

The Board of Appeal logically applied IR, r. 70 and 72, which specify the rules for calculating time limits for the CTM legislation, and therefore rejected the appeal. This solution is clear and does not give rise to any other comment.

Representation must be attached

CTMR, art. 26(1)(d) states that 'an application for a CTM shall contain a representation of the trade mark', this representation should be attached to the application form.

The other basic formal requirement was expressly reaffirmed in two decisions of 21 January 1998 and of 12 February 1998 arising from appeals involving applicants failing to send proper representation of their trade marks with their applications. Because of this failure to send the necessary representations of the trade marks, the examiners of the OHIM refused to grant the applicants a filing date, which is the starting point of all CTM registrations.

In particular, in the decision of 12 February 1998 – the *Orange* decision – the applicant claimed protection for a

colour but did not enclose a description of it. Instead, it simply indicated that it wanted the protection for the colour 'orange'!

Based upon CTMR, art. 26(1)(d) and IR, r. 9(1)(a)(iv), the Board of Appeal decided that if the applicant wished to claim protection for a colour, the mark should be reproduced on a sheet of paper separate from the sheet on which the text of the application appears, in the form described in detail in the CTM legislation, and that in the case of registration in colour, the colours making up the mark should also be indicated.

Consequently the Board of Appeal approved the examiner's decision refusing to grant the applicant a filing date. It considered that:

'according to Article 27 CTMR and Rule 9(2) IR, this minimum requirement has to be met in order to obtain a filing date. If the deficiency is not remedied, the application shall not be dealt with as a Community trade mark application by the Office.'

It added that:

'these legal requirements also conform with the principle of certainty, which is a guiding principle in the system of law governing the Community trade mark, since the latter is based on registration. According to this principle, the content of a trade mark application must be determined unequivocally from the outset, that is to say, it must reveal what, according to the intention of the applicant, is to be the subject matter of the protection flowing from the requested trade mark ... From this follows further that, as a rule, the trade mark must be pictorially represented if the applicant claims any special graphic feature or, as in the present case, a colour. This is an imperative necessity for conducting the examination and registration procedure, including the search, and is commanded by the interests of the public and all owners of registered rights such as, for example, the owners of earlier trade mark rights who wish to determine the scope of protection of the application.'

In fact, it is not only in the interest of the owners, if any, of prior trade mark rights that the scope of protection should be clearly specified, but more generally it is in the interest of any holder (owner, licensee, permitted user, etc.) of rights which could conflict with a CTM, such as copyright, design, company name to mention but a few. Moreover, even those with no rights need to know the exact scope of the protection afforded to the

trade marks of third parties. This knowledge will help assess what is allowed and what is prohibited by CTM legislation.

A similar position was adopted in the decision of 21 January 1998 (see OJ OHIM, 3/1998, 181), that involved a trade mark consisting of the vacuum packing of an article of clothing in a plastic envelope where the representation of the mark was not filed. In this case, the Board of Appeal considered that:

'the furnishing of a representation of the mark is one of the few elements of information necessary to obtain a filing date. Towards this end, the Implementing Regulation sets out how certain marks should be graphically represented. Rule 3(2) IR, for example, requires that, when the mark is not a word mark, but a three-dimensional, colour or other type of mark, a reproduction of the mark be submitted on a sheet of paper separate from the sheet on which the text of the application appears. Therefore, the trade mark in question, in order to have been accorded a filing date, should have been reproduced. A mere description, not conveying the clear and precise appearance of the mark itself, cannot be considered to be a reproduction.'

The Board of Appeal simply referred to IR, r. 3(4) which provides that where registration of a three-dimensional mark is applied for, the application shall contain a representation that shall consist of a photographic reproduction or a graphic representation. The latter terms, according to the Board of Appeal, must be understood as meaning a drawing and such like representations.

Finally, in the *Orange* decision, the Board of Appeal ruled that the receipt issued by the OHIM pursuant to IR, r. 5(1) when it receives an application:

'constitutes only an acknowledgement that certain documents have been received and is not a communication on the completeness of the filed documents.'

In that respect, it happened that the OHIM did not trace documents allegedly sent by the applicants. In such a case, the Board of Appeal ruled that the onus is on the applicant to establish, on the balance of probabilities, that an application for a CTM containing the information specified in the CTMR, has been filed with the OHIM or, as the case may be, with the central OHIM of a member state or with the Benelux Trade Mark Office (see Board of Appeal decision of 29 April 1998, *Procter & Gamble Co.*, not yet

published). The Board of Appeal added that it is up to the applicant to take whatever precautions are necessary to ensure that the relevant documents are sent to and received by the OHIM.

DEMONSTRABLE INDEPENDENCE

The issue of the status of the Board of Appeal and, in particular, its independence within the OHIM system is still not clear. Is the Board of Appeal comparable to a judicial court, or are they simply an extension of the OHIM?

Notwithstanding the foregoing issue, from a professional standpoint and for the credibility of the CTM, it seems important that the Board of Appeal appears to the companies (applicants or opponents) and to the community trade marks courts as a reliable judicial reference body; and not simply an additional administrative recourse involving loss of time and money.

Appealing to the Board of Appeal should be seen by companies as a real and effective possibility to assert their rights and, at least, to be heard by a neutral authority and be given a new opportunity to convince the OHIM of the companies' position.

The first cases before the Boards of Appeal on formal requirements show that there is no systematic hostility against the policy developed by the other departments of the OHIM. However the Board of Appeal are not bound by the doctrine of the OHIM. They confirmed this elementary principle of EC law in the *Fuji* decision of 11 March 1998 (not yet published). In this case, a CTM application was made in respect of the letters 'IX' in plain type for certain goods and services related to photographic material and photographic processing. Upon examination as to absolute grounds, the examiner, by letter dated 21 October 1997, indicated to the applicant that the letters 'IX' were not eligible for registration because they did not comply with CTMR, art. 7(1)(b) to the extent that, in his view, they merely consisted of two non-distinctive letters. The letter did not offer any explanation as to why the examiner considered a trade mark consisting 'of solely two non-distinctive letters "IX"' did not comply with CTMR, art. 7(1)(b). The examiner referred to para. 8.3 of the examination guidelines of the OHIM in his letter to the applicant with his final decision. That paragraph

contains the following statement:

'A trade mark consisting of one or two letters or digits, unless represented in an unusual fashion, would, except in special circumstances, be devoid of distinctive character ...'

In addition it appears that the correspondence from the examiner in this case offers no explanation for finding the mark 'IX' for photographic goods or services to be devoid of distinctiveness nor can any reason be implied even in response to the various points put forward by the applicant.

The appellant contested this decision and claimed that CTMR, art. 4, provides that a CTM may consist of any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings. The above is, of course, subject to CTMR, art. 7, that sets out the type of signs or trade marks that should be refused on absolute grounds. Among them are trade marks which are devoid of any distinctive character.

The Board of Appeal ruled that:

'Articles 4 and 7 CTMR, when read together, place the onus on the examiner to show, where he so asserts, how a trade mark lacks distinctiveness.'

Therefore it:

'requires the examiner to exercise his discretion, the Examination Guidelines should not be regarded as having the force of binding rules but rather as useful aids which should be taken into account among other things, in particular the relevant provisions of the Basic Regulation, case law, the competing interests which vary in weight from case to case and the specific circumstances of the case, when reaching a decision. The decision in turn should reflect the considerations which were taken into account. Furthermore, Article 73 CTMR, first sentence, requires that decisions of the OHIM shall state the reasons on which they are based. Having regard to the foregoing, the Board, in allowing the Appeal, considers that the contested decision should be set aside and the case remitted to the examiner for further prosecution.'

In this decision, the Board of Appeal correctly exercised its power to sanction, as *ultra vires*, CTM decisions made by the OHIM.

The Board of Appeal, in its decision, recalled that the OHIM should abide by the general principle of motivation of decisions set forth in art. 190 of the EC Treaty. This is consistent with the case law of the European Court of Justice which recently cancelled a decision of the European Commission because it had merely stated its conclusion, and not specified the reasons that led to its conclusion (see *Interporc Im- Und Export GmbH v EC Commission* (Case T-124/96) ECR II-125).

The Board of Appeal also looked to the principle of hierarchy among the community texts, i.e. that whereas informal guidelines could be used to clarify a higher text, they should never derogate from it. In other words they reiterated that trade mark practice is governed by the rules set forth in the CTMR and IR and that each decision is to be examined on a case by case basis without bias against any particular type of sign. This solution also conformed with European case law which has consistently held that an implementing regulation cannot derogate from the provisions of the basic regulation to which it is subordinated (*Deutsche Tradax GmbH v Einfuhr-und Vorratsstelle für Getreide und Futtermittel* (Case 38/70) [1971] ECR 145).

Upon receipt of the *Fuji* decision, the OHIM immediately reconsidered its official position and indicated that the examination guidelines will be amended accordingly. This prompt reaction is certainly fair and welcome. At least, it shows that the OHIM accepts that it may have been wrong to adopt certain positions and that, when necessary, it is prepared to change its position and to thus contribute to the new challenges raised by an evolving and competitive market.

One may simply regret that, in light of the principle of economy of procedure developed by the Board of Appeal in another matter (see below), it has not ruled directly on the merits of the *Fuji* case.

CONTRIBUTION TO CTM CASE LAW

It is submitted that one of the keys to the success of the CTM lies in the ability of this new legal instrument to respond to the needs of companies that have to face the challenges of the third millennium, particularly exacerbated

competition where 'image' and 'goodwill' will be essential to business success (see Eric Gastinel, *'Les licences de goodwill: un substitut de la franchise'*, *Les Petites Affiches* 1994, No. 27, at p. 16).

To attain this objective, companies will need to deal with an OHIM which is aware that the role and use of trade marks is developing and that having resort exclusively to trade mark law is not the only way to assert distinctiveness, but that slavish copying can also be legally prevented by tortious actions or unfair competition.

Obtaining a CTM is not the only way to protect a trade mark throughout the EU. One should not forget that similarly wide protection can still be achieved through domestic and international registrations. This means that companies could be tempted to avoid using the OHIM and the CTM if a satisfactory response to their business needs can be found in quicker and cheaper ways. It is well-known that companies often apply for trade marks when the products or services concerned are in their ultimate launching phases and sometimes only a few days before commercial launches. This is something which the OHIM should never forget.

Furthermore, it is not clear that the ultimate purpose of a trade mark office is to police trade mark law – unless it is required to do so, for instance, through opposition procedure. Domestic actions, in particular before the community trade marks courts, seem to be the proper way to resolve disputes of this kind.

In light of this, companies should find in the OHIM an ally rather than a new non-productive administrative body. To a certain extent, the applicants are clients of the OHIM. They pay for a quality legal service.

In that respect the Board of Appeal has the opportunity to contribute favourably to achieving these expected results by setting forth clear and innovative CTM rules and principles and giving a moral and legal impetus to the success of this new community instrument.

The *Orange* decision was the first opportunity for the Boards of Appeal to give the OHIM that dynamic impulse. This appeal simply related to the filing date issue. However the Board of Appeal considered, in the exercise of the judicial discretion conferred on it by CTMR, art. 62(1) whether the court itself should

decide on the merits of the application.

In its decision, although colours are not expressly mentioned in CTMR, art. 4 in the list of signs in which a CTM may consist, the Board of Appeal ruled that 'it is true that a colour per se may be generally protectable as a Community Trade Mark under CTMR, art. 4'.

However, as a rule, its registration can be precluded by the absolute grounds of refusal laid down in CTMR, art. 7(1)(b), (c) or (d), unless it is, for example, a very specific colour shade for very specific goods or services or the applicant can successfully argue that the trade mark has become distinctive in consequence of the use which has been made of it (art. 7(3), CTMR).

In the *Orange* case, the Board of Appeal specifically determined that:

'the appellant failed to comply with these requirements when it attached to its application only a sheet of paper with a description of the claimed colour in writing, using only the relatively vague term "orange" without specifying this any further or listing a code, and without attaching to the application any explicit figurative reproduction of the colour ... since an uncountable number of different colour shades, ranging in the specific case from dark to light and from the yellowish to the reddish tones, are conceivable which would all fall under the wide generic term "orange".'

To justify its approach, the Board of Appeal explained that:

'it might have appeared reasonable, on grounds of economy of procedure, having regard to the appellant's interest as well as the public interest, that these matters were examined by the Board of Appeal, since it would be pointless to litigate – in possibly lengthy proceedings – on the filing date if the application for a Community trade mark were bound to fail ultimately on absolute grounds. However, taking into account the submissions of the appellant, the circumstances of the present case and also the novelty of the Community trade mark system, the Board deemed it appropriate to disregard arguments of procedural economy at the present stage in order to permit the appellant to avail itself fully of the various procedures and in order to allow for an exhaustive examination of the case.'

This means that in the future the Board of Appeal will be entitled to review and expressly decide on issues raised by the CTM applications that are expressly submitted to their review by the

appellants or opponents. However, the review should cover only aspects of the CTM applications that are considered public order issues such as review of absolute grounds for refusal, other administrative issues such as payment of taxes, completion of formalities with time-limits or motivation of decisions. In contrast, this automatic control should not cover issues relating to personal aspects of the CTM applications such as relative ground for refusal, i.e. prior rights.

From a colour trade mark standpoint, the solution reached by the Board of Appeal in the *Orange* decision found a favourable echo within the internal doctrine of the OHIM which subsequently announced its intention to publish for registration the 'lilac' colour which is used in connection with the well-known colour of the Milka cow.

The issue for the future is whether the OHIM will accept signs which are not traditionally accepted trade mark signs, such as sounds or odours. An element of response to this question may be the following: can the sign for which a protection is claimed be represented in a graphical manner so that any third party can reproduce it in an identical way simply using the description set forth in the publication? If so, why can't the sign be protected as a CTM if it meets the other requirements for protection specified in the CTM legislation?

CONCLUSION

The first decisions of the Board of Appeal provide us with a flavour of what the CTM system could be. For the future, many legal issues relating to the CTM remain unclear. One of the relevant issues will be in determining the scope of control of the Boards of Appeal's decisions by the European Court of Justice. In a recent chronicle concerning a similar authority (see '*La procédure centralisée du droit communautaire d'autorisation de mise sur le marché des médicaments*', *Revue Trimestrielle du Droit Européen*, 1997 en 3, at p. 443), it was suggested that the Court should have a limited amount of control over decisions of the European Agency for the Evaluation of Medicinal Products.


As specified in CTMR, art. 63, the court should of course control the competence of the Boards of Appeal, whether the decision process infringed an essential procedural requirement (i.e.

ensure that the defences' rights of the parties have been respected, and that the decision is properly motivated), whether there was any misuse of power and finally whether the decision rendered infringed the EC legal system applicable to CTMs. Thus, it is concluded that most probably this latest ground would be that with the greatest chance of success.

In light of EC case law, it is considered that the legal review by the ECJ should be confined to examining whether the decision contained a manifest error or constituted a misuse of power or whether the authority clearly exceeded the bounds of its discretion (see *Balkan-Import Export*, (Case 55/75) [1976] ECR, at p. 19). This review implies that the decision should be sufficiently reasoned to allow the court to control its content.

One can see no reason why the solution proposed for marketing authorisations of medicinal products as applied in various business sectors should not apply to the Boards of Appeal's decisions as well.

There is no doubt that the Boards of Appeal will also deal with issues involving rather complex economical and technical situations. Furthermore, it is stressed that the members of the Boards of Appeal are senior trade marks specialists appointed by the council, and not laymen (see CTMR, art. 130(2)). Therefore, one could assume that decisions of the Boards of Appeal, i.e. constituted by three members for each board, have the potential to be equitable and satisfactorily reasoned in all respects.

Consequently, it is believed that the Boards of Appeal should be allowed the opportunity to define their lines of action, as this will ultimately have a direct and material impact on the success of CTM and its credibility. 

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The opinions expressed by the author are strictly personal and do not necessarily reflect the position of the OHIM.